



# **Workers' Compensation Fraud Report**

**FY 2006 Second Quarter (October through December 2005)**

## **Statistics at a glance**

- **Number of cases referred to prosecution.....4**
- **Number of administrative (civil) fraud orders issued .....14**
- **All dollars collected.....\$38,987,029**

## **Major milestones**

- New software that scans open injury claims is helping to detect workers' compensation fraud. The software screens all claims based on about 100 criteria, looking for irregularities such as delays between doctor appointments and care that is inconsistent with the injury. Claims scoring high are assigned to the most experienced claim managers for review. Questionable claims are referred to L&I's Fraud Prevention and Compliance Program.

## **Prevention highlights**

Two key components of an anti-fraud program are:

- Building public awareness of compliance actions taken.
- Helping those who use the workers' compensation system to follow the law.

In the second quarter of FY 2006, fraud prevention staff presented four training sessions to a total of 67 participants. Topics covered were prime contractor liability, and determining if a subcontractor is an independent contractor or a worker. Fraud prevention staff made presentations at three construction-contractor workshops in Seattle, DuPont and Vancouver, and to a group of public-entity contracting officers in Tacoma.

## **Compliance highlights**

- Following an investigation involving several state agencies, an out-of-state farm labor contractor firm paid \$230,000 in back wages owed to workers and past-due workers' compensation premiums.
- The former owner of Peak Performance Physical Therapy Clinics was found guilty of first-degree theft for over-billing the Department of Labor and Industries \$375,000 for services his company didn't provide to injured workers. He later received a 12-month sentence – 45 days in jail and the remainder in electronic home detention – and ordered to repay L&I.

## **Program administration**

L&I spent \$3,621,306 on salaries, benefits and other expenses for fraud prevention and compliance. L&I recovered \$38,987,029 in delinquent premiums from employers and improper payments to providers and workers. Estimated avoided costs totaled \$358,357 (improper future benefits stopped by investigation).

**Results: 10.9 to 1 return on investment – a cost of 9.2 cents for each dollar collected.**

## More fraud prevention numbers

These figures represent dollars collected from:

- Fraudulent activity due to misrepresentation
- Overpayments to workers and providers
- Employers owing delinquent premiums

### Worker:

Assessments .....\$1,140,122  
Claim overpayment collections....\$2,525,438  
Cost avoidance .....\$255,124

### Employer:

Assessments .....\$3,938,972  
Collections .....\$36,304,899

### Provider:

Assessments .....\$280,521  
Collections .....\$156,692  
Cost avoidance .....\$103,233

